

compute its capital without regard to this paragraph (a)(3) of this section for purposes of prompt corrective action (12 U.S.C. 1831o), unless the savings association is adequately or well capitalized without applying the capital treatment described in this paragraph (a)(3) and would be well capitalized after applying that capital treatment.

(B) A savings association shall compute its capital without regard to this paragraph (a)(3) for the purposes of applying 12 U.S.C. 1831o(g), regardless of the association's capital level.

(b) [Reserved]

[54 FR 49649, Nov. 30, 1989, as amended at 57 FR 33439, July 29, 1992; 57 FR 12709, Apr. 13, 1992; 57 FR 33440, July 29, 1992; 58 FR 476, Jan. 6, 1993; 58 FR 15086, Mar. 19, 1993; 58 FR 45813, Aug. 31, 1993; 59 FR 12810, Mar. 18, 1994; 59 FR 4788, Feb. 2, 1994; 59 FR 66652, Dec. 28, 1994; 60 FR 39232, Aug. 1, 1995; 60 FR 45621, Aug. 31, 1995]

§ 567.7 Interest-rate risk component.

(a) Except as provided in paragraph (c) of this section, a savings association's interest rate risk (IRR) is measured by the decline in the Net Portfolio Value (NPV) that would result from a 200 basis point increase or decrease in market interest rates (whichever results in the lower NPV) divided by the estimated economic value of assets, as calculated in accordance with the OTS Model and guidance issued by the OTS, which will be provided to savings associations and to others in accordance with paragraph (f) of this section. A savings association whose measured IRR exposure exceeds .02 (*i.e.*, 2%) must deduct an IRR component in calculating its total capital for purposes of determining whether it meets its risk-based capital requirement under § 567.2 of this part. The IRR component is an amount equal to one-half of the difference between its measured interest rate risk and .02, multiplied by the estimated economic value of its total assets. Except as provided in paragraph (d) of this section, the IRR component deduction becomes effective beginning on the last day of the third quarter following the reporting date of the Schedule CMR on which the IRR component was based. For the purpose of this section, the reporting date is the last business day of each quarter.

(b) Unless they are exempt from this reporting requirement, all saving associations must file information pertaining to their interest rate risk exposure on a form or schedule designated by the Director. Savings associations with less than \$300 million in assets and risk-based capital ratios in excess of 12 percent are exempt from filing the Schedule CMR but will be required to provide selected information in the manner determined by the OTS. The Director of the OTS or his designee may, within his discretion, require any otherwise exempt savings association to file the Schedule CMR on a quarterly basis.

(c) A savings association's interest rate risk exposure is measured by the decline in the NPV that would result from a 200 basis point increase or decrease in market interest rates, except when the 3-month Treasury bond equivalent yield falls below 400 basis points. In that case, the decrease will be equal to one-half of that Treasury rate.

(d) If a savings association, demonstrates to the OTS that it has reduced its IRR, in dollar amount, by the end of the quarter following the reporting date of the Schedule CMR on which the savings association's IRR component was based, the IRR component shall be lowered to that amount.

(e) Exception. Notwithstanding paragraph (a) of this section, upon the request by a savings association, the Director of the OTS, or his designee, may waive or defer, but not lower except as a result of an appeal, a savings association's IRR component. For example, the Director may determine that a waiver or deferral is warranted if the savings association has taken meaningful steps to reduce or control its interest rate risk exposure.

(f) Manuals describing the OTS Model and guidance issued by the OTS will be provided to savings associations and will be available, upon request, to others at the address set forth in § 516.1(a) of this chapter.

[58 FR 45813, Aug. 31, 1993, as amended at 59 FR 12811, Mar. 18, 1994]

§ 567.8 Leverage ratio.

Savings associations shall have and maintain core capital, as defined at 12